

Message Text

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SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: A) STATE 53993; B) LUXEMBOURG A-19

A DETAILED DESCRIPTION OF THE NEW LUXEMBOURG INVESTMENT INCENTIVE LAW AND THE GOVERNMENT ATTITUDE TOWARD DIRECT FOREIGN INVESTMENT IS CONTAINED IN REF B).

1. NARRATIVE STATEMENT ON INVESTMENT CLIMATE:

AMERICAN INVESTMENT IN LUXEMBOURG AMOUNTS TO ABOUT \$325 MILLION. THIS AVERAGES OUT TO \$800 PER LUXEMBOURG INHABITANT, THE HIGHEST PER CAPITAL INDUSTRIAL INVESTMENT OUTSIDE OF NORTH AMERICA. INVESTMENT IS ALMOST ENTIRELY IN THE MANUFACTURING SECTOR, PRINCIPALLY IN CHEMICALS, TIRES AND METAL FABRICATION. AMERICAN MULTINATIONALS WITH FACILITIES IN LUXEMBOURG INCLUDE GOODYEAR, DUPONT, MONSANTO, GENERAL MOTORS, UNIROYAL AND COMMERCIAL HYDRAULICS.

IN 1973 LUXEMBOURG PASSED A NEW ECONOMIC EXPANSION
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LAW TO REPLACE THE PREVIOUS LEGISLATION UNDER WHICH MOST

OF THE FOREIGN DIRECT INVESTMENT WAS ENCOURAGED. LUXEMBOURG CONTINUES TO WELCOME US INVESTMENT UNDER THE NEW LEGISLATION WHICH ALLOWS THE GOVERNMENT TO GRANT VARIOUS INCENTIVES TO ATTRACT INVESTMENT. THESE INCENTIVES INCLUDE INTEREST SUBSIDIZATION, LOAN GUARANTEES, CAPITAL SUBSIDIES, TAX INCENTIVES, PROMOTIONAL AIDS, AND THE ACQUISITION AND PREPARATION OF ACCESS ROADS AND OTHER INFRASTRUCTURE. LUXEMBOURG'S NEW INVESTMENT PROGRAM CONFORMS TO EC GUIDELINES AND ASSISTANCE IS LIMITED TO A GIVEN PERCENTAGE OF INVESTMENT.

ALTHOUGH THE NEW LEGISLATION PERMITS LUXEMBOURG TO CONTINUE TO BE AMONG THE MOST COMPETITIVE IN THE EC IN OFFERING INVESTMENT INCENTIVES, AUTHORITIES RESPONSIBLE FOR ITS IMPLEMENTATION HAVE INDICATED THAT, BECAUSE OF A CONTINUING SHORTAGE OF LABOR, THESE INCENTIVES WILL BE USED PRIMARILY TO ENCOURAGE THE EXPANSION OF FIRMS ALREADY ESTABLISHED IN LUXEMBOURG. THIS INTERPRETATION OF THE NEW LAW DOES NOT MEAN THAT ALL FIRMS SEEKING TO INVEST IN LUXEMBOURG FOR THE FIRST TIME WILL BE DENIED INCENTIVES. EACH APPLICATION WILL BE JUDGED ON ITS INDIVIDUAL MERITS AND HIGHLY AUTOMATED FIRMS WITH A HIGH VALUE ADDED PER EMPLOYEE MAY STILL BE ABLE TO OBTAIN FAVORABLE INCENTIVES.

LUXEMBOURG DOES NOT REQUIRE FOREIGN FIRMS TO MEET ANY SPECIFIC EXPORT REQUIREMENTS. DUE TO THE SMALL LOCAL MARKET AND DUTY-FREE ACCESS TO THE MARKET OF OTHER MEMBERS OF THE EUROPEAN COMMUNITY, FIRMS USUALLY EXPORT BETWEEN 80 TO 100 PERCENT OF THEIR PRODUCTION.

LUXEMBOURG HAS NO RESTRICTIONS ON FOREIGN TAKEOVERS. AN AUTHORIZATION TO OPERATE AN INDUSTRY AND CARRY OUT COMMERCE IS REQUIRED FOR ALL BUSINESSES IN LUXEMBOURG AND IS GRANTED AUTOMATICALLY. LEGISLATION PROHIBITS ANY FAVORITISM TO LUXEMBOURG OR EUROPEAN FIRMS OVER FOREIGN FIRMS FOR GOVERNMENT ORDERS. FINALLY, LABOR UNIONS HAVE WELCOMED US INVESTMENT, AND LUXEMBOURG HAS THE ENVIABLE RECORD OF HAVING HAD NO MAJOR STRIKES SINCE 1922.

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2. INVESTMENT STATISTICS

A. US DIRECT INVESTMENT

TOTAL (ALL INDUSTRIES): \$325 MILLION
MINING AND SMELTING : NONE
PETROLEUM : \$2 MILLION (STORAGE
AND DISTRIBUTION)

MANUFACTURING : \$320 MILLION
OTHER INDUSTRIES : \$ 2 - 3 MILLION

B. DIRECT FOREIGN INVESTMENT

TOTAL : \$385 MILLION
OTHER THAN US: \$30 MILLION (FRANCE)
\$10 MILLION (BELGIUM)
\$15 MILLION (FRG)
\$5 MILLION (UK)

C. DIRECT LUXEMBOURG INVESTMENT IN US

NONE. FARKAS

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